CHAPTER 6E

HOMEOWNERS' EXEMPTION

HIGHLIGHTS

• Type of Relief	Property Tax	
• Eligibility	Anyone who, as of the January 1 lien date,owns and occupies a dwelling used as a principal residence.	
• When to Claim	Purchasers of residences are mailed a claim form that must be filed by February 15. For the supplemental assessment roll, the exemption must be claimed within 30 days following the date of notice of supplemental assessment.	
• Participants	5.3 million in 2002-03	
• Cost	2001-02	$405.5 million
	2002-03 (estimate)	$414.2 million
	2003-04 (estimate)	$419.6 million

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1. DESCRIPTION OF EXEMPTION

The California Constitution [Article XIII, Section 3(k)] exempts the first $7,000 of the full value of a dwelling occupied as the owner's principal residence on the January 1 lien date from property taxation. For instance, if a principal dwelling has an adjusted base year value of $150,000, it will be assessed at $143,000 after deduction of the homeowners' exemption. The Legislature must reimburse local governments for property tax revenue lost due to this exemption pursuant to Article XIII, Section 25 of the California Constitution.

2. ELIGIBILITY

To be eligible for the homeowners' exemption, a person must occupy, as a principal place of residence, a dwelling that he or she owns. This includes mobilehomes assessed for property tax purposes. Owners of condominiums, cooperatives, and multiple residence dwellings are eligible for the exemption on the assessed value attributable to the portion they occupy.

The exemption does not extend to property that is rented, vacant, or under construction on January 1, nor does it apply to vacation or secondary homes of the owner, or to a dwelling on which an owner receives the veterans' or disabled veterans' exemption.

When a home is purchased after January 1, the liability for the appropriate part of the taxes to be paid by the new owner and the previous owner must be negotiated at the time of the purchase. An owner who moves cannot "take" the homeowners' exemption on his or her old property; the exemption applies to a specific property, not to the owner of the property.

If the previous owner was eligible for the exemption and had filed, the property sold will retain its exemption for the remainder of the fiscal year, and that exemption will be automatically applied to the tax bill. The proration of taxes between the seller and buyer is a proration of taxes upon the assessed value of the property less the value of the exemption. The escrow agent usually handles this procedure, but it is the responsibility of the purchaser to seek appropriate proration of the taxes, since the purchaser was not the owner of the home on the lien date. The new owner must apply for the exemption for the subsequent fiscal year.

If the previous owner failed to file for the exemption, the new owner may file for the exemption on the supplemental roll after the change of ownership. (See Chapter 4 of this Reference Book for more information on the supplemental roll.) In addition to filing the claim on a timely basis, the owner must meet the requirements for the exemption no later than 90 days after the date of the change of ownership.

3. APPLICATION PROCEDURE

Eligible homeowners filing for the exemption for the first time must file with the county assessor by February 15 preceding the fiscal year for which the exemption is sought. If an eligible homeowner fails to file by February 15, he or she will receive 80% of the exemption, if a filing is made by December 10. If the owner misses the December 10 filing date, no exemption is allowed for that year.

Once an eligible homeowner files for the exemption, that owner will be automatically granted the exemption for that property in future years. The homeowner is responsible for notifying the assessor only when he or she is no longer eligible. Penalties are assessed for failure to do so.

For assessments on the supplemental roll, the eligible homeowner must file for the exemption with the county assessor on or before the 30th day following the date of notice of the supplemental assessment and must meet the exemption requirements no later than 90 days after the date of the change of ownership or date of completion of new construction. If an eligible homeowner fails to file on a timely basis, he or she will receive 80% of the total exemption if filing is made on or before the date on which the first installment of supplemental taxes becomes delinquent.

4. LIMITATIONS ON EXEMPTION INCREASES

The Constitution allows the Legislature to increase the size of the homeowners' exemption, but if it does so, two other actions are required:

- The Legislature must increase the rate of state taxes in an amount sufficient to pay for the increased cost of state subventions to local governments; and
- The Legislature must provide a comparable increase in benefits to qualified renters.

5. COST

The state cost of the homeowners' exemption was $405.5 million in fiscal year (FY) 2001-02, $414.2 million in FY 2002-03, and $419.6 million in FY 2003-04. These amounts are subvened to local governments to compensate for the loss in property tax revenue.

Over 5 million homeowners receive this exemption.

6. CODE

California Constitution, Article XIII, Section 3(k)

Revenue and Taxation Code Section 218

Government Code Sections 16120-16123